

House Study Bill 536

SENATE/HOUSE FILE _____
BY (PROPOSED IOWA PUBLIC
EMPLOYEES' RETIREMENT
SYSTEM BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act concerning the Iowa public employees' retirement system,
2 and providing an effective and retroactive applicability date.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5263DP 81
5 ec/je/5

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1 1 Section 1. Section 97B.1A, subsection 24, paragraph a,
1 2 Code Supplement 2005, is amended to read as follows:
1 3 a. ~~"Three-year average covered wage" means, for a member~~
1 4 ~~who retires prior to July 1, 2008,~~ a member's covered wages
1 5 averaged for the highest three years of the member's service,
1 6 except as otherwise provided in this subsection. The highest
1 7 three years of a member's covered wages shall be determined
1 8 using calendar years. However, if a member's final quarter of
1 9 a year of employment does not occur at the end of a calendar
1 10 year, the system may determine the wages for the third year by
1 11 computing the average quarter of all quarters from the
1 12 member's highest calendar year of covered wages not being used
1 13 in the selection of the two highest years and using the
1 14 computed average quarter for each quarter in the third year in
1 15 which no wages have been reported in combination with the
1 16 final quarter or quarters of the member's service to create a
1 17 full year. However, the system shall not use the member's
1 18 final quarter of wages if using that quarter would reduce the
1 19 member's three-year average covered wage. If the three-year
1 20 average covered wage of a member exceeds the highest maximum
1 21 covered wages in effect for a calendar year during the
1 22 member's period of service, the three-year average covered
1 23 wage of the member shall be reduced to the highest maximum
1 24 covered wages in effect during the member's period of service.
1 25 Notwithstanding any other provision of this paragraph to the
1 26 contrary, a member's wages for the third year as computed by
1 27 this paragraph shall not exceed, by more than three percent,
1 28 the member's highest actual calendar year of covered wages for
1 29 a member whose first month of entitlement is January 1999 or
1 30 later.

1 31 Sec. 2. Section 97B.1A, subsection 24, paragraph c, Code
1 32 Supplement 2005, is amended by striking the paragraph.

1 33 Sec. 3. Section 97B.4, subsection 4, paragraph a, Code
1 34 2005, is amended to read as follows:

1 35 a. ANNUAL REPORT TO GOVERNOR. Not later than the
2 1 ~~fifteenth~~ ~~thirty-first~~ day of December of each year, the
2 2 system shall submit to the governor a report covering the
2 3 administration and operation of this chapter during the
2 4 preceding fiscal year and shall make recommendations for
2 5 amendments to this chapter. The report shall include a
2 6 balance sheet of the moneys in the retirement fund. The
2 7 report shall also include information concerning the
2 8 investment management expenses for the retirement fund for
2 9 each fiscal year expressed as a percent of the market value of
2 10 the retirement fund investment assets, including the
2 11 information described in section 97B.7, subsection 3,
2 12 paragraph "d". The information provided under this paragraph
2 13 shall also include information on the investment policies and
2 14 investment performance of the retirement fund. In providing
2 15 this information, to the extent possible, the system shall
2 16 include the total investment return for the entire fund, for
2 17 portions of the fund managed by investment managers, and for
2 18 internally managed portions of the fund, and the cost of

2 19 managing the fund per thousand dollars of assets. The
2 20 performance shall be based upon market value, and shall be
2 21 contrasted with relevant market indices and with performances
2 22 of pension funds of similar asset size.

2 23 Sec. 4. Section 97B.48, subsection 5, Code 2005, is
2 24 amended to read as follows:

2 25 5. Effective on such date as the system determines by
2 26 rule, but in no event later than July 1, 2006, if the system
2 27 determines that the ~~accumulated contributions of a member,~~
2 28 ~~lump sum amount~~ payable to a living member who has had a break
2 29 in service or to a beneficiary of a deceased member, ~~are is~~
2 30 less than ~~three thousand dollars~~ the current maximum amount
2 31 prescribed by the internal revenue service that may be
2 32 distributed without triggering automatic rollover rights, the
2 33 lump sum amount payable under this chapter shall be paid to
2 34 the living member or beneficiary in full satisfaction of all
2 35 rights of the member or beneficiary to receive any payments
3 1 under the system. For purposes of this section, a "break in
3 2 service" means twenty consecutive calendar quarters in which
3 3 no wages are reported to the system. The lump sum payment
3 4 shall be made within one hundred eighty days after the
3 5 calendar quarter in which the member completes a break in
3 6 service or dies, whichever is applicable. A member or
3 7 beneficiary who receives a mandatory distribution under this
3 8 subsection shall have sixty days to return the distribution to
3 9 the system and restore the member's or beneficiary's account.

3 10 Sec. 5. Section 97B.49C, subsection 1, paragraph c, Code
3 11 Supplement 2005, is amended to read as follows:

3 12 c. "Eligible service" means membership and prior service
3 13 as a sheriff or deputy sheriff under this section. In
3 14 addition, eligible service includes membership and prior
3 15 service as a ~~marshal in a city not covered under chapter 400~~
3 16 ~~or a fire fighter or police officer of a city not~~
3 17 ~~participating in the retirement systems established in chapter~~
3 18 ~~410 or 411, and as an airport fire fighter prior to July 1,~~
3 19 ~~1994 member in a protection occupation as defined in section~~
3 20 ~~97B.49B.~~

3 21 Sec. 6. EFFECTIVE DATE == RETROACTIVE APPLICABILITY. The
3 22 section of this Act amending section 97B.48, subsection 5,
3 23 being deemed of immediate importance, takes effect upon
3 24 enactment and is retroactively applicable to January 1, 2006,
3 25 and is applicable on or after that date.

3 26 EXPLANATION

3 27 This bill makes changes to the Iowa public employees'
3 28 retirement system (IPERS).

3 29 Code section 97B.1A, subsection 24, concerning the
3 30 definition of three-year average covered wage, is amended to
3 31 eliminate the provision that would have changed this
3 32 calculation from the highest three years of service to the
3 33 highest 12 consecutive quarters of service effective July 1,
3 34 2008.

3 35 Code section 97B.4, subsection 4, is amended to provide
4 1 that IPERS shall submit its annual report to the governor by
4 2 December 31, not the current December 15.

4 3 Code section 97B.48 is amended to provide that the maximum
4 4 account balance on inactive accounts that IPERS may distribute
4 5 in a lump sum to a member who has had a break in service or to
4 6 a beneficiary of a deceased member is set at the amount the
4 7 internal revenue service (IRS) permits IPERS to distribute
4 8 without establishing a rollover account for the distribution.
4 9 Current law sets this amount at \$3,000, which is not based
4 10 upon the distribution amount permitted by the IRS. This
4 11 provision of the bill takes effect upon enactment and is
4 12 retroactively applicable to January 1, 2006.

4 13 Code section 97B.49C, subsection 1, concerning eligible
4 14 service for coverage in the sheriffs and deputy sheriffs
4 15 category, is amended to include all service as a member in any
4 16 protection occupation. Current law only includes prior
4 17 service as a marshal in a city or a city fire fighter or
4 18 police officer as additional eligible service under the
4 19 sheriffs category.

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4 21 ec:rj/je/5